

Department of Mental Health and Developmental Disabilities

**For the Years Ended
June 30, 2000, and June 30, 1999**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

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John G. Morgan
Comptroller

April 23, 2002

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

The Honorable Elisabeth Rukeyser, Commissioner
Department of Mental Health and Developmental Disabilities
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Department of Mental Health and Developmental Disabilities for the years ended June 30, 2000, and June 30, 1999.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/mb
01/088



**STATE OF TENNESSEE
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July 11, 2001

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Mental Health and Developmental Disabilities for the years ended June 30, 2000, and June 30, 1999.

We conducted our audit in accordance with government auditing standards generally accepted in the United States of America. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Department of Mental Health and Developmental Disabilities' compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Department of Mental Health and Developmental Disabilities is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The department's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the department's internal controls and/or instances of noncompliance to the Department of Mental Health and Developmental Disabilities' management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA,
Director

AAH/mb

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Department of Mental Health and Developmental Disabilities

For the Years Ended June 30, 2000, and June 30, 1999

AUDIT SCOPE

We have audited the Department of Mental Health and Developmental Disabilities for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of management of the department, revenue, expenditures, TennCare, trust funds, maintenance benefits, administrative leave, signature authorization procedures, performance evaluations, and compliance with the Financial Integrity Act; utilization of the Department of Finance and Administration's State of Tennessee Accounting and Reporting System (STARS) grant module to record the receipt and expenditure of federal funds; and Title IX of the Education Amendments of 1972. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

AUDIT FINDINGS

The Department Did Not Have Current Related-Party Transaction Policy and Procedures

The department failed to maintain a current related-party transaction policy which requires that conflict-of-interest disclosure statements be placed in key employee personnel files. The auditors noted that files of top management did not contain conflict-of-interest disclosure forms (page 4).

The Department Did Not Properly Approve Contracts Before the Beginning of the Contract Period or Before Funds Were Paid to the Contractors

The department failed to approve contracts before the beginning of the contract period or before funds were paid to the contractors, which allowed services to be rendered and paid before the contracts were approved. Some contracts were not approved until 5 to 448 days after the beginning of the contract period, an average of 77 days late (page 7).

Controls Over Checks at Moccasin Bend Mental Health Institute Need Improvement

The Moccasin Bend Mental Health Institute did not have adequate controls over the check process. The institute does not have proper segregation of duties during the check writing process, and adequate accountability over the check stock was not maintained (page 8).

Memphis Mental Health Institute Did Not Follow Contract Guidelines and Performed Inadequate Review of Travel Claims

Memphis Mental Health Institute (MMHI) did not follow state rules and regulations and contract guidelines regarding consultants. The institute did not retain proper supporting documentation for hotel charges made by consultants. The auditors discovered that travel claims for consultants were overbilled. In addition, the institute could not provide travel claims for contractors for eight months out of the audit period (page 9).

The Department Used an Inappropriate Interagency Agreement

The department has two TennCare Partners programs with the Bureau of TennCare, a no-cost Interdepartmental Agreement and a Memorandum of Understanding. Although the contracts do not include cost, the department billed and received reimbursement from the Bureau of TennCare for administrative costs related to the TennCare Partners program (page 11).

Internal Controls Over Patient Trust Funds Were Inadequate

The department's internal controls over patient trust funds were weak. The department's policies regarding balances of discharged patients were found to be inadequate and ambiguous. In addition, the auditors discovered that trust fund bank

reconciliations at Moccasin Bend were not completed monthly. Patient trust fund cash disbursement records at Middle Tennessee Mental Health Institute for the year ended June 30, 1999, could not be found (page 13).

The Department Was Not in Compliance With the Department of Finance and Administration's Policy on Maintenance Benefits

The department did not comply with Finance and Administration's (F&A) Policy 16-Employee Housing and Meals. The tenants' social security numbers were not included in the housing plan submitted to F&A. The auditors also discovered that employees living in state-owned housing had not signed a rental agreement as required. Discrepancies indicate that housing plan revisions were not being communicated to F&A in a timely manner (page 17).

The Property of the State of Tennessee System Was Not Adequately Updated

The department has not adequately updated the Property of the State of Tennessee (POST) system to reflect adequate information regarding equipment. In a sample of departmental equipment, several discrepancies were noted. Items examined did not match the location, cost, or status listed in POST. In addition, there were items examined that did not bear the proper state tag. Retired items were still listed as active in POST (page 20).

The Department's Inventory Systems Were Not Adequately Maintained

The department has not adequately maintained the inventory control systems. In a sample of departmental inventory items, many items did not match the amounts shown on the inventory listing. Problems were noted at all five institutions (page 21).

The Department Was Unable to Provide Adequate Documentation to Show That the Controls Over Performance

Evaluations Had Been Strengthened**

The department has continued not to comply with state personnel policies requiring periodic employee performance evaluations. The Department of Personnel's rules require that each career service employee's performance be evaluated at least every 12 months. Inquiries were made in regard to policies and procedures giving specific guidelines for performance evaluation. Documentation was requested relevant to the audit period to show that a 25% decrease in overdue evaluations had been attained as stated in Management Comments to the prior-year audit finding regarding

performance evaluations. The department was unable to provide either (page 23).

The Department of Mental Health and Developmental Disabilities Did Not Prepare a Title IX Implementation Plan as Required by Tennessee Code Annotated

The department did not prepare a Title IX implementation plan as required by state law. State law requires each state government entity subject to Title IX of the federal Education Amendments of 1972 to develop an annual Title IX implementation plan, which prohibits discrimination on the basis of gender in federally funded education programs and activities (page 26).

** This finding is repeated from prior audits.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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Audit Report
Department of Mental Health and Developmental Disabilities
For the Years Ended June 30, 2000, and June 30, 1999

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Department of Mental Health and Developmental Disabilities For the Years Ended June 30, 2000, and June 30, 1999

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Department of Mental Health and Developmental Disabilities. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

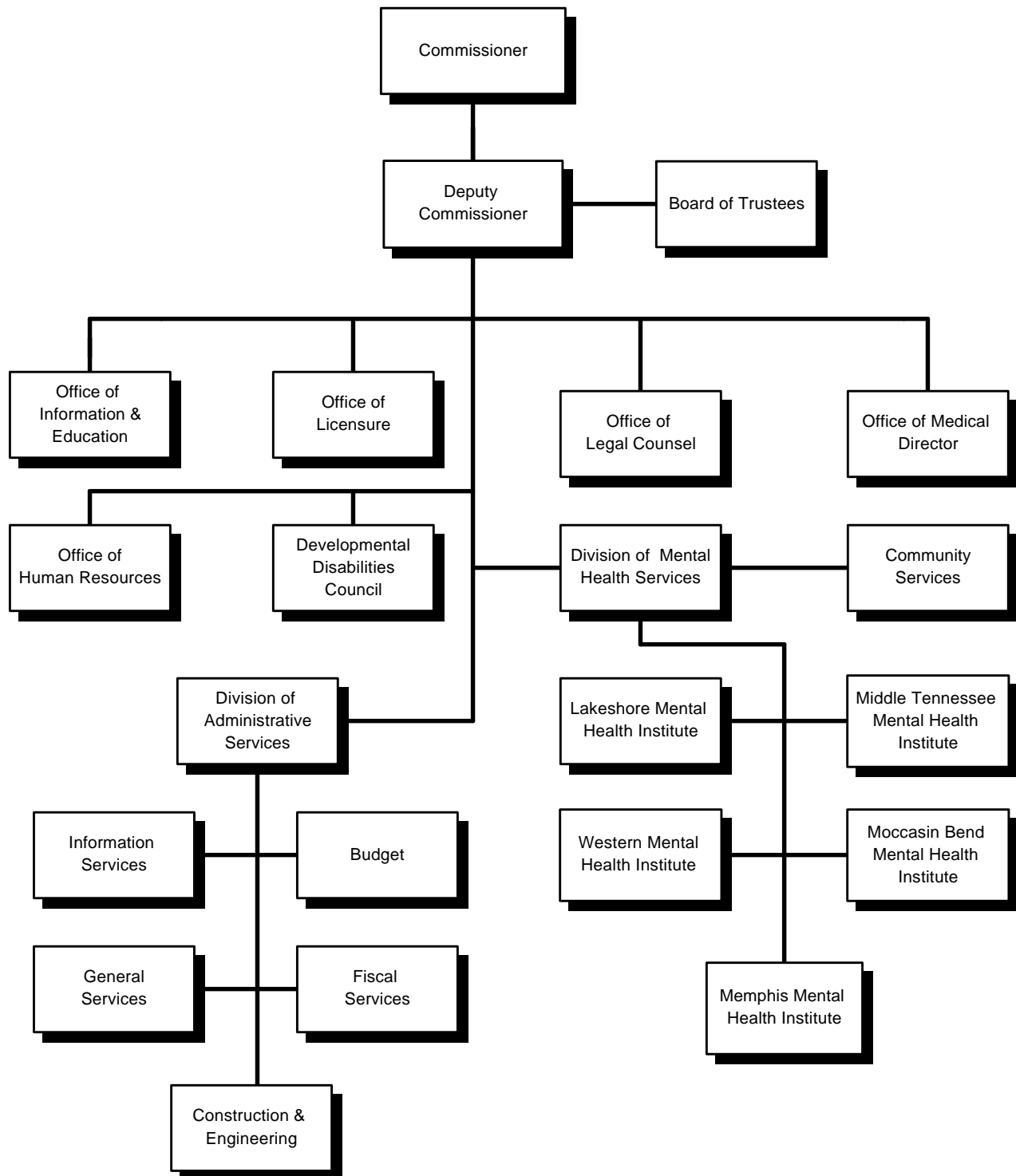
The department’s mission is to provide services to individuals with mental illness and mental retardation or developmental disabilities. The Mental Health Services Division meets the needs of the citizens with a system of prevention and early intervention, treatment, habilitation, and residential programs. These services are administered through a network of community mental health centers, specialized community mental health agencies, grant projects, contracted programs, and five regional mental health institutes. The Mental Retardation Services Division provides a comprehensive and integrated system of institutional and community services for mentally retarded persons to assist them in reaching their fullest potential. Effective October 16, 1996, the Central Office Programmatic and Administrative Support within the Division of Mental Retardation Services was transferred to the Department of Finance and Administration.

An organization chart of the department is on the following page.

AUDIT SCOPE

We have audited the Department of Mental Health and Developmental Disabilities for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management’s

Department of Mental Health and Developmental Disabilities



controls and compliance with policies, procedures, laws, and regulations in the areas of management of the department, revenue, expenditures, TennCare, trust funds, maintenance benefits, administrative leave, signature authorization procedures, performance evaluations, and compliance with the Financial Integrity Act; utilization of the Department of Finance and Administration's State of Tennessee Accounting and Reporting System (STARS) grant module to record the receipt and expenditure of federal funds; and Title IX of the Education Amendments of 1972. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Mental Health and Developmental Disabilities filed its report with the Department of Audit on June 30, 2000. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Department of Mental Health and Developmental Disabilities has corrected previous audit findings concerning the department's merger with the Department of Health in the absence of legal authority; signature authorization; transferred conservatorship; and policies regarding residents' cash at Western Mental Health Institute.

REPEATED AUDIT FINDING

The prior audit report also contained findings concerning strengthening controls over performance evaluations. This finding has not been resolved and is repeated in the applicable section of this report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

MANAGEMENT OF THE DEPARTMENT

Our primary objective was to evaluate the control environment of the department. Top management is responsible for establishing an effective control environment, which is the

foundation for all other components of internal control: risk assessment, control activities, information and communication, and monitoring. Statement on Auditing Standards Number 78 (SAS 78), “Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55,” states,

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

SAS 78 lists the following “control environment factors”:

- integrity and ethical values,
- commitment to competence,
- management’s philosophy and operating style,
- organization structure, and
- assignment of authority and responsibility.

We determined whether management had established an effective control environment, an appropriate organizational structure including sound and clearly drawn lines of authority and responsibility. We also determined if management had set the proper “tone at the top.”

No significant issues were noted with the control environment, organizational structure, or tone at the top.

We determined that the Department of Mental Health and Developmental Disabilities does not have a current related-party transactions policy. See finding 1 for more information.

1. The Department of Mental Health and Developmental Disabilities does not have a current related-party transaction policy

Finding

The Department of Mental Health and Developmental Disabilities does not have a current related-party transaction policy which requires conflict-of-interest disclosure statements in employees’ personnel files. Discussions with management revealed that the personnel files of employees responsible for awarding contracts did not contain conflict-of-interest disclosure forms to document any related-party disclosures and evidence that employees were informed of the policy.

Section 12-4-101, *Tennessee Code Annotated*, “Personal interest of officers prohibited,” states,

It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract.

Unless a current policy and procedure concerning related-party transactions is provided for employees to read and become aware of, there could be undisclosed conflicts of interest in violation of state law.

Recommendation

The Fiscal Director for the department should develop and circulate a policy for potential conflicts of interest. A conflict-of-interest form should be used to document any conflicts of key employees responsible for awarding contracts. These forms should be maintained in the employees' personnel files.

Management's Comment

We concur. The department will update the existing related-party transaction policy. Additionally, the policy will be expanded to include a conflict-of-interest statement that will be maintained in the file of each employee with authority to award or oversee contracts.

REVENUE

The objectives of our review of the revenue controls and procedures in the Department of Mental Health and Developmental Disabilities' central office and the five mental health institutes were to determine whether

- a reasonable degree of assurance could be obtained as to the accuracy and the validity of the revenue,
- cash collected during the audit period was deposited timely and accounted for in the appropriate fiscal year,
- physical controls over cash were adequate,
- revenues or fees were billed or charged and recorded at the correct amount,
- petty cash or change funds were authorized by the Department of Finance and Administration, and
- departmental bank accounts were reconciled each month and the reconciliations were adequately supported.

We interviewed key personnel to gain an understanding of the department's procedures and controls over revenues. We also reviewed supporting documentation for these procedures and controls. In addition, testwork was performed on a sample of revenue transactions, and petty cash funds were counted and verified.

We determined that revenue controls and procedures were in place and effective.

EXPENDITURES

The objectives of our review of the expenditure controls and procedures in the Department of Mental Health and Developmental Disabilities' central office and five mental institutes were to determine whether

- recorded expenditures for goods or services were authorized and received,
- expenditures incurred for goods or services were identified and properly recorded,
- expenditures for goods and services were authorized in accordance with the budget and other regulations or requirements,
- payments were made in a timely manner,
- auditee records were reconciled with Department of Finance and Administration reports,
- controls over check writing processes were adequate,
- expenditures for travel were paid in accordance with the Comprehensive Travel Regulations, and
- contracts were made in accordance with regulations and contract terms.

We interviewed key personnel to gain an understanding of the department's procedures and controls over expenditures. We also reviewed supporting documentation for these procedures and controls over expenditures. In addition, testwork was performed for a sample of expenditure transactions and contracts.

We determined that the department did not properly approve contracts before the beginning of the contract period or before funds were paid to the contractors. See finding 2 for more information.

We determined that Moccasin Bend Mental Health Institute did not have adequate segregation of duties over the check writing process. See finding 3.

We also determined that overall the department's expenditure items were in compliance with purchasing regulations. However, we determined that contract guidelines were not being followed at the Memphis Mental Health Institute. See finding 4 for more information.

2. The department did not properly approve contracts before the beginning of the contract period or before funds were paid to the contractors

Finding

The department did not properly approve all contracts before the beginning of the contract period or before funds were paid to the contractors, which allowed services to be rendered and paid before proper approvals of the contracts were obtained.

In the review of contracts, the department was unable to locate 3 of 65 contracts selected for testwork. The remaining testwork revealed for 41 of 62 contracts tested (66.0 %), there was not adequate documentation that the contracts had been properly approved before the beginning of the contract period. Thirty-nine contracts were not approved until 5 to 448 days after the beginning of the contract period, an average of 77 days late. Two other contracts were not dated by all the required individuals so date of approval could not be determined. Of the two contracts, one contract was not signed by all other required individuals until 47 days after the contract effective date.

Chapter 0620-3-3-04(c)(8) of the *Rules of the Department of Finance and Administration* states,

Upon approval by the Commissioner of Finance and Administration, it [the contract] shall be an effective and binding contract.

If contracts are not approved before the contract period begins and before services are rendered, the state could be obligated to pay for unauthorized services.

Testwork also revealed that for 3 of 62 contracts tested (5%), there was not adequate documentation that the contract had been properly approved before funds were paid to the contractor. For one contract of the three, the department did not obtain an agreement with the vendor, an Authorization to Vendor form, to provide services under a Direct Purchase Authority (DPA). The DPA states,

All purchases made pursuant to this authority shall be made by the use of an Authorization to Vendor [form]. . . . Any purchases issued under this Authority shall become binding only upon delivery of an approved copy to the Vendor. . . . The Authorization to Vendor . . . shall be required for payment.

By making payments on contracts that are not properly approved, the state is paying for unauthorized services.

Recommendation

The department should ensure that all contracts are properly approved before the beginning of the contract period and before funds are paid to contractors. The department should develop and implement deadlines to ensure that approvals are timely.

Management's Comment

We concur. The department will develop processing deadlines that will ensure that contracts and "Authorization to Vendor" forms are properly approved before the beginning of the contract period.

3. Controls over checks at Moccasin Bend Mental Health Institute need improvement

Finding

The Moccasin Bend Mental Health Institute does not have adequate controls over the check writing process.

- The employee who prepares the checks is the same person who, after proper approvals, mails the checks or hands the checks to the vendors. This employee has access to the vault as well as the check logbook.
- The two accounting department personnel who have access to the vault are authorized check signers.

Effective internal controls require proper segregation of duties. Allowing the same employee to prepare the checks, obtain signatures, and disburse the checks could provide opportunity for unauthorized expenditures or theft. Furthermore, allowing employees who are authorized check signers to have access to the vault could also lead to checks being issued for unauthorized purposes.

Recommendation

The Moccasin Bend Mental Health Institute Superintendent should ensure that duties are properly segregated during the check writing process. The responsibilities of preparing the checks, obtaining signatures, and disbursing the checks after approval should be performed by different individuals. To prevent checks from being taken from the vault for unauthorized purposes, personnel should consider using a vault check log to maintain accountability over the check stock. One employee should not be able to obtain checks from the vault without another individual present. Both individuals should sign and date the vault check log.

Management's Comment

We concur. Internal controls to accomplish a proper segregation of duties have been implemented. A vault log procedure has also been instituted.

4. Memphis Mental Health Institute did not follow contract guidelines and performed inadequate review of travel claims

Finding

Memphis Mental Health Institute (MMHI) did not follow state rules and regulations and contract guidelines regarding consultants. In addition, the institute failed to perform an adequate review of travel claims for the consultants under the contracts. The institute contracts with individuals to "be available for a minimum of three (3) consecutive days each month to provide on-site training and consultation at MMHI regarding the mental health treatment planning process." Each contract specifies that travel compensation "shall be in the amount of actual costs, subject to maximum amounts and limitations specified in the State Comprehensive Travel Regulations" and "shall not exceed sixteen thousand three hundred dollars (\$16,300.00) during the period of the contract." Currently, and for the duration of the audit period, the institute has contracted the services of a licensed psychologist and a registered nurse to fulfill the terms of the contracts. Based on a review of these contracts and related documentation, the following discrepancies were noted.

- The May 2000 travel claim for the registered nurse did not have proper supporting documentation for hotel charges. The documentation on file for the claim actually supported the licensed psychologist's travel claim for the same month. MMHI personnel were unable to provide supporting documentation for the registered nurse's hotel charges.
- The May 2000 travel claim for the licensed psychologist was overstated, and MMHI overpaid the psychologist's claim. The psychologist billed MMHI for lodging for three nights at a rate of \$69.00 per night. The amount claimed should have included lodging for two nights at a rate of \$67.95. The amount claimed also included meal charges for one full day more than the contractor was entitled. The total amount overpaid by MMHI for this travel claim is \$101.10.
- The December 1999 travel claim for the licensed psychologist did not have supporting documentation for hotel charges.
- The January 2000 travel claim for the licensed psychologist was overstated, and MMHI overpaid the psychologist for meals for one full day (\$30.00).
- The February and April 2000 travel claims examined for the licensed psychologist were overbilled and overpaid for hotel charges. The total overpayment for these claims was \$6.30.

- Four of 17 registered nurse travel claims examined (24%) were overbilled and overpaid for hotel charges. The total overpayment for these claims was \$15.60.
- MMHI personnel were unable to provide travel claims for each contractor for eight months out of the audit period. Seven of those eight months were common between the two consultants. As a result, there is no evidence of contract fulfillment for those months.
- The total amount of travel compensation paid to the licensed psychologist, obtained from the available travel claims, was \$16,456.49. This amount is \$156.49 above the specified contract limits.

Testwork also revealed that Memphis Mental Health Institute did not follow contract guidelines regarding the Clinical Pharmacy Director. The institute contracts with the University of Tennessee to provide Clinical Pharmacy Director services. The contract between DMHDD Memphis Mental Health Institute and the University of Tennessee states, "Payment will be made by Procuring Agency after completion of service and after receipt of invoice from Vendor Agency. . . ." However, per examination of a sample invoice, it appears that the Clinical Pharmacy Director was paid before services were rendered for March 2000. The March 2000 invoice was dated February 29, 2000, and was paid on March 6, 2000, before completion of service.

Because Memphis Mental Health Institute has not followed state rules and regulations, and contract guidelines, and failed to perform adequate review of travel claims, travel compensation regulations have been exceeded, contract limitations have been exceeded, there is no evidence of total contract fulfillment, and payments have been made before completion of service.

Recommendation

The Superintendent should ensure that Memphis Mental Health Institute personnel follow all required rules, regulations, and contract guidelines. Adequate review of travel claims should be performed before reimbursements are made.

Management's Comment

We concur. Employees will be instructed to review and process travel payments consistent with rules, regulations, and contract guidelines.

TENNCARE

The objectives of our review of TennCare controls and procedures in the Department of Mental Health and Developmental Disabilities were to determine whether

- the department has adequate procedures in place to ensure its responsibilities were performed in accordance with the TennCare Partners Program agreement, and
- the department has adequately performed its responsibilities required by the TennCare Partners Program agreement.

We interviewed key personnel to gain an understanding of the department's procedures and controls over the TennCare Partners Program. We also reviewed supporting documentation for these procedures and controls. In addition, we examined the Department of Mental Health and Developmental Disabilities' responsibilities for the program according to the agreement and the Memorandum of Understanding (MOU) regarding the TennCare Partners Program. Discussions were held with department personnel to determine compliance with the agreements.

We examined the department's procedures for billing TennCare for administrative costs related to the TennCare Partners Program during the audit period. We found that the department's responsibilities under the agreements were adequately performed; however, we determined that the department was billing TennCare for costs without an appropriate contract as discussed in finding 5.

5. The department used an inappropriate interagency agreement

Finding

The department did not use the correct interdepartmental agreement containing cost and payment terms when contracting with the Bureau of TennCare. The Department of Mental Health and Developmental Disabilities (DMHDD) had two TennCare Partners Program agreements with the Bureau of TennCare: a no-cost Interdepartmental Agreement with a term beginning April 1, 1998, and ending March 31, 2003; and a Memorandum of Understanding (MOU) signed January 21, 2000. However, neither the Interdepartmental Agreement nor the MOU included cost or payment terms.

DMHDD billed and received reimbursement from the Bureau of TennCare for administrative costs related to the TennCare Partners Program without a cost contract in place. A cost contract should serve as the legal instrument governing the activities of DMHDD as they relate to the Bureau of TennCare and would specify the scope of services and payment terms. DMHDD received \$958,012.96 from the Bureau of TennCare for the period July 1, 1998, through June 30, 2000. Of the \$958,012.96,

- \$143,933.04 was for administrative costs related to appeal services for fiscal year ended June 30, 1999;
- \$391,990.48 was for administrative costs related to consumer affairs and advocacy services for fiscal years ended June 30, 2000, and June 30, 1999; and

- \$422,089.44 was for administrative costs related to Clinically Related Groups and Target Population Group assessment services for fiscal years ended June 30, 2000, and June 30, 1999.

Furthermore, the Interdepartmental Agreement did not include the above services. In addition, even though the MOU does cover the services performed on January 31, 2000, through June 30, 2000, there was no contract in place between July 1, 1998, and January 30, 2000, to cover the services. Not having a cost contract in place can lead to confusion between the parties regarding the scope of services and payment terms.

Recommendation

The Commissioner of the Department of Mental Health and Developmental Disabilities should ensure that a cost contract between the Department of Mental Health and Developmental Disabilities and the Department of Finance and Administration, Bureau of TennCare, is in place for the TennCare Partners Program.

Management's Comment

We concur. The original interdepartmental agreement, with an effective date of April 1, 1998, was superseded by a Memorandum of Understanding, signed on January 21, 2000. The Memorandum of Understanding has since been superseded by an appropriately executed cost contract between the two parties.

TRUST FUNDS

The objectives of our review of the trust fund controls and procedures in the Department of Mental Health and Developmental Disabilities were to

- document controls over specific-purpose funds, including trust funds;
- determine if the auditee upheld its fiduciary duty to properly administer and account for patient funds by ensuring receipts and other fund increases were properly recorded, expenditures were properly supported with patients' or other applicable approvals where necessary, specific purpose account expenditures were made for allowable purposes, and expenditures and other fund decreases were properly recorded;
- review bank reconciliations for propriety;
- determine procedures used to compute patient payroll;
- determine procedures regarding the receipt, safekeeping, and record keeping procedures regarding patients' property; and

- review the procedures and process of allocating interest to the various specific-purpose accounts.

We interviewed key personnel to gain an understanding of the department's procedures and controls over trust fund transactions. We also reviewed supporting documentation for these procedures and controls. In addition, testwork was performed on samples of trust fund transactions.

We determined that controls over trust funds were not adequate. The following discrepancies were noted.

- We determined that departmental policies regarding discharged patients as a whole do not establish a timetable for sending the notification letter to the patient and seeking the approval for transferring trust fund balances to the benevolent fund. We also found that institutions still had patient trust fund balances when those patients had been discharged more than 12 months ago. In addition, the Memphis Mental Health Institute had sent letters to only some of the former patients who still had money in the trust fund account.
- We found that the controls over imprest (trust) funds at the institutes were inadequate. At Memphis Mental Health Institute, reimbursement checks were written to someone other than the imprest fund custodian; in addition, the custodian writes the reimbursement checks, obtains the required signatures for the checks, and obtains the cashier's endorsement.
- We determined the trust fund bank reconciliations were not performed on a monthly basis at Moccasin Bend Mental Health Institute.
- At the Middle Tennessee Mental Health Institute, documentation for cash disbursements made from the patient trust funds could not be found.

See finding 6 for further information.

6. Internal controls over patient trust funds were inadequate

Finding

The department's internal controls over patient trust funds were inadequate. The department maintains patient trust funds in a restricted fund. The department's *Accounting Policies and Procedures Manual*, Section 5-9, states, "It is imperative to administer the (restricted) fund in such a manner to insure adequate internal control to prevent abuse and misuse."

Testwork revealed that each institution had one or more internal control discrepancies. The following problems were noted:

- the departmental policies regarding balances of discharged patients were inadequate and ambiguous;
- controls over patients' imprest funds at Memphis Mental Health Institute were inadequate;
- trust fund bank reconciliations at Moccasin Bend Mental Health Institute were not completed monthly; and
- patient trust fund cash disbursement records at Middle Tennessee Mental Health Institute for the year ended June 30, 1999, could not be found.

Policies Were Inadequate and Ambiguous

The department failed to follow state law governing trust funds of discharged or deceased patients. Furthermore, the department's policies regarding the handling of individual trust fund balances of a discharged patient were inadequate and ambiguous. The policies failed to establish a timetable for sending the notification letter to the patient and for seeking approval to transfer the balance to the benevolent fund as noted below.

Tennessee Code Annotated, Section 33-4-109, requires that

- (a) Upon the death of a person admitted to a facility under court order under this title, the chief officer of the facility shall mail written notice of the cause of death to the court which entered the order. Upon the death of a person who was admitted voluntarily, the chief officer shall notify the next of kin of the cause of death. The notice shall be mailed within ten (10) days of death.
- (b) Notice of a death shall also be given promptly to the person's next of kin and legal guardian, legal custodian, or conservator. The administrator, executor or personal representative of the deceased person, or if there is none, one (1) or more of the heirs at law or next of kin, shall be notified by registered mail of the deceased's personal property at the facility at the time of death. Notice to an administrator, executor or personal representative shall be directed to the probate court of the county in which that person is qualified to administer the estate of the deceased.
- (c) Property left by the deceased person in the facility shall be disposed of pursuant to the subsection (e) if, after diligent search and inquiry, none of the persons required to be notified can be found and notified or if the persons notified do not open the estate or otherwise proceed to dispose of the estate in a lawful manner.

- (d) If a person is discharged and leaves personal property in the facility, the chief officer shall promptly notify the person by registered mail addressed to the facility, the chief officer shall promptly notify the person by registered mail addressed to the last known address that the property has been left and is subject to sale under subsection (e) if not claimed.
- (e) The chief officer shall keep the deceased or discharged person's personal property for six (6) months if it is not claimed. The chief officer shall then sell the property, with the approval of the commissioner, and deposit the proceeds in a fund, maintained under the supervision of the chief officer, for the benefit of needy service recipients.

Testwork revealed that four of the five mental institutions did not comply with state law. The following problems were noted:

- At Lakeshore Mental Health Institute, 2 out of 25 trust fund balances (8%) were still maintained after discharge of the patient. The balances tested were as of March 31, 2001. One patient had been discharged on March 14, 2000. Another patient's discharge date was on August 24, 1999.
- At Memphis Mental Health Institute, 14 out of 18 trust fund balances (78%) belonged to former patients who had been discharged for more than 12 months. In addition, the institution has sent letters to only 2 out of 18 former patients (11%) who still have money in the trust fund account.
- At Moccasin Bend Mental Health Institute, 12 out of 25 balances tested (48%) were still maintained by the institute after the patients' discharge. Discharge dates going as far back as September 12, 1997, were noted for half of the balances tested. Discharge dates going as far back as January 5, 1999, were noted for the other balances tested.
- At Western Mental Health Institute, 18 out of 25 trust fund balances (72%) belonged to former patients who had been discharged for more than 12 months.

Failing to follow state laws and to establish departmental policies regarding the handling of trust fund balances of discharged patients may prevent the patients from claiming their trust funds or prevent the institutions from benefiting from unclaimed trust funds as allowed by state law.

Controls Over Imprest Trust Fund Were Weak

Controls over patients' imprest fund at Memphis Mental Health Institute were weak. Testwork revealed the following deficiencies in controls over the imprest fund.

- The duties of the MMHI imprest fund custodian were not adequately segregated. The Memphis Mental Health Institute has an imprest fund to disburse funds held by the institute on behalf of its patients. When money is requested for patients, the money is taken from this imprest fund. At the end of the day, a check is written from the trust fund in order to replenish the imprest fund. The custodian writes the reimbursement checks to the MMHI cashier, obtains signatures for the reimbursement checks, and obtains the cashier's endorsement. With these responsibilities, the risk of misappropriation is increased. For example, the imprest fund custodian could modify the check payee or amount after obtaining signatures.

This weakness in controls over the imprest fund could result in the loss of funds that could go undetected. Because cash is highly susceptible to misappropriation, good internal control over the patients' imprest fund is essential to ensure that the funds are protected.

Reconciliations Were Not Completed Monthly

Patient trust fund bank reconciliations at Moccasin Bend Mental Health Institute were not performed on a monthly basis for the fiscal years ending June 30, 2000, and June 30, 1999. The trust fund is comprised of the patients' money and personal property. Reconciliations were not done for 10 months out of the 24-month audit period (42%). It is imperative that the reconciliations be completed to ensure that missing funds or property is detected promptly.

Disbursement Records Could Not Be Found

The Middle Tennessee Mental Health Institute has not maintained supporting documentation for cash disbursements from the patient trust funds for year ending June 30, 1999. The cash disbursement register and supporting documentation for postings to patient accounts could not be located.

The loss of the cash disbursement records leaves the institution in the position of being unable to provide the necessary support if a patient trust fund balance is ever questioned. It was not possible to determine if the accounts were properly maintained for that time period. However, testwork performed on disbursements for the year ending June 30, 2000, revealed no problems.

Recommendation

The fiscal director should revise the policies regarding the handling of money belonging to discharged patients to make them less ambiguous and to ensure state law is followed. The duties of the patients' imprest fund custodian should be further segregated to prevent the custodian from having access to the reimbursement check after signatures are obtained. In addition, the fiscal director should ensure that trust fund bank reconciliations are completed monthly. Finally, records should be retained and stored in a manner that allows them to be easily located.

Management's Comment

We concur. Departmental policy governing administration of the Restricted Funds and funds belonging to patients will be revised. Internal controls that include proper segregation of duties, periodic reconciliation, and security of records will be developed and implemented.

MAINTENANCE BENEFITS

The objectives of our review of the controls and procedures over maintenance benefits provided to employees were to determine whether

- maintenance benefits were provided to employees under the proper authority,
- maintenance benefits were restricted to the employees allowed under state policy,
- the required forms were completed by applicable employees,
- a complete list of employees receiving maintenance benefits and the amount of their benefits were provided to the Department of Finance and Administration in a timely manner, and
- controls over maintenance facilities were adequate.

We interviewed key personnel to gain an understanding of the department's procedures and controls over maintenance benefits. We also reviewed supporting documentation for these procedures and controls. In addition, testwork was performed on maintenance benefits provided to employees.

Although there was no evidence that rental amounts were not paid, we determined that the housing plan did not include social security numbers of employees living in state-owned housing. The employees living in state-owned housing had not signed and completed required forms. It was also determined that the Department of Finance and Administration (F&A) was not notified of changes to the housing plan in a timely fashion. In addition, a copy of the housing plan was not filed with the Comptroller of the Treasury, Division of State Audit, as discussed in finding 7.

7. The department was not in compliance with the Department of Finance and Administration's Policy 16-Employee Housing and Meals

Finding

The Department of Mental Health and Developmental Disabilities did not comply with the Department of Finance and Administration's Policy 16-Employee Housing and Meals. The following deficiencies were noted:

Social Security Numbers Not Included

Employee social security numbers were not included on the housing plan submitted to F&A. F&A Policy 16 states, “Departmental Housing Plans shall include employee name, social security number, location of housing, square footage of the dwelling, calculated monthly rent amount, justification for housing assignment, and if applicable, approved Employee Housing Disclosure Forms (see Attachment A).”

Attachment B-Standard Rental Agreements Not Signed

Testwork revealed that 3 out of 12 employees living in state-owned housing (25%) have not signed and completed a new rental agreement, Attachment B-Standard Rental Agreement, since the implementation of Policy 16 on April 16, 1998. F&A policy states, “Regardless of whether all rents are paid, all employees living in state-owned housing shall read and sign Attachment B-Lease Agreement.”

F&A Not Notified of Changes in a Timely Manner

There were several discrepancies between the F&A copy of the housing plan and Western Mental Health Institute’s copy of the housing plan. Testwork revealed the following discrepancies:

- Information for 11 out of 22 residences (50%) on the F&A copy was not in agreement with the information on the list obtained from Western Mental Health Institute.
- Four out of 22 of the residences (18%) that were shown as being occupied on the F&A housing plan were not on the Western Mental Health Institute listing and were determined to be vacant based upon documentation obtained from Western.
- Three out of 22 of the residences (14%) shown on the F&A housing plan that are listed as vacant were shown on the Western Mental Health Institute listing as being occupied.
- Amounts for utilities have not been updated on the F&A housing plan to reflect monthly actual amounts. Per discussion with personnel at Western Mental Health Institute, utilities are charged at actual metered cost on a monthly basis. The F&A housing plan lists standardized amounts.

These discrepancies indicate that revisions to the F&A housing plan were not communicated to F&A in a timely manner. F&A Policy 16 states, “Departmental plans and procedures and subsequent revisions shall be submitted to the Commissioner of the Department of Finance and Administration for approval.”

Copy of Housing Plan Not Filed With State Audit

The department did not file a copy of the original housing plan or any subsequent revisions to the plan with the Comptroller of the Treasury, Division of State Audit. In the part of

F&A Policy 16 discussing agency responsibility, the policy states, “Departmental plans and procedures and subsequent revisions shall be submitted to the Commissioner of the Department of Finance and Administration for approval. Upon approval, copies shall be filed with the Comptroller of the Treasury, Division of State Audit.”

Noncompliance with F&A Policy 16 could lead to confusion for F&A and/or the department when questions about housing arise, especially concerning issues such as amounts for rent and utilities.

Recommendation

The department should ensure that it is in compliance with F&A Policy 16 and that departmental plans include all the information required by policy. The department should update the housing plan to include the social security numbers of all employees living in state-owned housing, and the department should require all employees living in state-owned housing to sign and complete an Attachment B Rental Agreement. Whenever changes need to be made to the housing plan such as changes in occupants, residences becoming vacant, and residences becoming occupied, the department should notify F&A. The department should indicate on the housing plan that utilities are charged at metered amounts that will vary on a monthly basis. In addition, the department should properly file a copy of the approved housing plan and any subsequent revisions with the Comptroller of the Treasury, Division of State Audit.

Management’s Comment

We concur. The department will ensure that it is in compliance with all the provisions of F&A Policy 16.

EQUIPMENT

The objectives of our review of the equipment controls and procedures in the Department of Mental Health and Developmental and Disabilities were to determine whether

- Property of the State of Tennessee (POST) access was restricted only to those persons who have job duties which require it and does not create an inadequate segregation of duties;
- property leased from the Office for Information Resources (OIR) was properly accounted for;
- the information in POST for departmental equipment was correct; and
- vehicles leased from Motor Vehicles Management (MVM) were used only for official business and were restricted to only those persons whose job duties require it.

We interviewed key personnel to gain an understanding of the procedures for adding, deleting, and updating equipment information in POST. We also discussed controls over purchasing, receiving, tagging, and safeguarding equipment with appropriate personnel. We selected a sample of equipment assigned to allotment codes designated to the Department of Mental Health and Developmental Disabilities from a list obtained from the Department of General Services. The equipment was tested to determine whether the items could be physically located; the description, tag number, serial number, location code, and cost shown in Post were correct; and whether the state tag was on the equipment. We determined that there was equipment that did not match the location listed in POST, that retired equipment was still listed in the system; equipment examined did not match the cost listed; and one piece of equipment did not bear a state property tag. See finding 8 for further details.

We also obtained a listing of all equipment being leased from OIR. We then determined if the information on the equipment matched the information on the listing. We determined that for the one item leased from OIR, not all information was accurate. See finding 8 for further details.

8. The Property of the State of Tennessee (POST) system is not adequately updated

Finding

The department has not adequately updated the Property of the State of Tennessee (POST) system to reflect accurate information regarding equipment. The department uses the POST system to keep track of departmental equipment. The data maintained in the system includes information such as the item serial numbers, state tag numbers, costs, locations, dates of acquisition, and cost centers. Based on a sample of departmental equipment, the following discrepancies were noted:

- Eight of 61 items examined (13%) did not match the location listed in the POST system.
- Two of 61 items tested (3%) were reported missing. However, the items were still listed in the POST system.
- Two purchases, involving six equipment items, were examined. The cost of the equipment items related to these purchases did not match the cost listed in the POST system.
- Two of 61 items tested (3%) did not bear the proper state tag. One of these items was listed as an Office of Information Resources equipment item.
- One of 61 items tested (2%) was retired. However, the item was still listed in the POST system.
- One of 61 items tested (2%) was reported lost or stolen. However, the item was still listed in the POST system.

Because the department has not adequately updated the POST system, the system contains inaccurate information.

Recommendation

Management should update the information contained in the POST system to ensure that the information is accurate and up-to-date.

Management's Comment

We concur. The department will record timely updates to the POST system.

INVENTORY

The objectives of our review of the inventory controls and procedures in the Department of Mental Health and Developmental Disabilities and the five mental health institutes were to determine whether

- controls over inventory were adequate, and
- the amounts recorded in inventory represented the actual amounts on hand.

We interviewed key personnel to gain an understanding of the procedures and controls over inventories of pharmacy items, medical supplies, and central stores items. We also reviewed supporting documentation for these procedures and controls. Based on information from our planning and internal control questionnaires, we selected items from each type of inventory from a current inventory listing. We performed a test count of the inventory, noting differences between the listing and the actual amount counted.

We determined that items examined did not match the amounts shown on the inventory listing. Discrepancies were noted at Lakeshore, Memphis, Middle Tennessee, Moccasin Bend, and Western Mental Health Institutes. See finding 9 for further details.

9. The department's inventory systems were not adequately maintained

Finding

The statewide mental health institutes have not adequately maintained the inventory control systems. The institutes use the inventory systems to maintain up-to-date information regarding the amounts of inventory on-hand. A sample of departmental inventory revealed that

for 11 of 72 total items examined (15%), the quantity did not match the amounts shown on the inventory listing.

The following discrepancies were noted:

- For one of five pharmacy items (20%) examined at Lakeshore Mental Health Institute, the quantity on-hand did not match the inventory listing.
- For two of three pharmacy items (67%), three of four central medical supply items (75%), and one of three purchasing supply items (33%) examined at Memphis Mental Health Institute, the quantity on-hand did not match the inventory listing.
- For one of four central stores items (25%) examined at Middle Tennessee Mental Health Institute, the quantity did not match the inventory listing.
- For one of three pharmacy items (33%) examined at Moccasin Bend Mental Health Institute, the quantity did not match the inventory listing.
- For two of three pharmacy items (67%) examined at Western Mental Health Institute, the quantity did not match the inventory listing.

Without maintaining accurate inventory records, the institutions cannot ensure that inventory items are adequately protected from misappropriation or loss.

Recommendation

Superintendents should ensure that staff appropriately secure inventory and perform timely updates to the inventory systems to reflect accurate information.

Management's Comment

We concur. The department will establish a plan to conduct routine spot check counts of the stock items throughout the year. Concluding that a portion of the discrepancies can be attributed to the pharmacy software, the department is currently investigating a pharmacy software package to replace the existing pharmacy software.

ADMINISTRATIVE LEAVE

Our work in the area of administrative leave consisted of

- obtaining explanations for employees placed on administrative leave with pay during the audit period, and
- determining if employees were on administrative leave for an excessive amount of time.

We interviewed key personnel to obtain explanations for employees placed on administrative leave with pay. We also reviewed supporting documentation for the explanations. We found no significant problems with administrative leave.

SIGNATURE AUTHORIZATION PROCEDURES

To follow up the prior finding, we relied on signature authorization testwork performed in conjunction with the audit of the *State of Tennessee Comprehensive Financial Report* (CAFR) for the year ended June 30, 2000. There were no problems noted.

PERFORMANCE EVALUATIONS

Our work in the area of performance evaluations consisted of following up a prior audit finding concerning inadequate review of personnel performance.

To follow up the prior finding, we interviewed key personnel to assess whether management had made significant improvements in the area of performance evaluations. We requested documentation to support management's comments in the prior finding involving stated objectives and actions by the department's Office of Human Resources. In addition, we requested policies and procedures giving specific guidelines to performance evaluations.

We determined that the department was unable to provide adequate documentation to show that any significant improvements had been made. We also determined that there were no policies and procedures giving specific guidelines to performance evaluations. See finding 10 for further details.

10. The department was unable to provide adequate documentation to show that the controls over performance evaluations had been strengthened

Finding

As noted in the last eight audits, the department has continued not to comply with state personnel policies requiring periodic employee performance evaluations. The Department of Personnel's rules require each career service employee's performance to be evaluated at least every 12 months. Management concurred with the prior audit recommendations and stated that by July 1, 2000, the department's objective was to achieve a 25% increase in overdue evaluations.

Inquiries were made in regard to policies and procedures giving specific guidelines for performance evaluations. Relevant documentation was requested to show that the objective of a 25% increase in overdue evaluations had been attained. Although discussions with management indicated progress has been made, the department was unable to provide adequate documentation to show that any significant improvement had been made.

The *Rules of Tennessee Department of Personnel*, Chapter 1120-5-01, “Job Performance Planning and Evaluation,” states that the purpose of job performance evaluations is “to promote employee development, enhance employee productivity, serve as a basis for sound personnel decisions, and provide a permanent record of the performance of major duties and responsibilities for employees in the State service.” To maintain and improve job performance and to properly consider individuals for merit increases and promotions, the department needs to evaluate employees regularly.

Recommendation

The Commissioner should assign specific responsibility to ensure that department supervisors follow the Department of Personnel’s policies for employees’ performance evaluations. Management should then monitor to ensure supervisors are complying with these policies. The Commissioner should take action against those supervisors failing to prepare performance evaluations timely.

Management’s Comment

We concur. The department will establish guidelines and timeframes to ensure that performance evaluations are completed timely. Compliance will be assured through routine monitoring.

FINANCIAL INTEGRITY ACT

Section 9-18-104, *Tennessee Code Annotated*, requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30, 1999, and each year thereafter. In addition, the head of each executive agency is also required to conduct an evaluation of the agency’s internal accounting and administrative control and submit a report by December 31, 1999, and December 31 of every fourth year thereafter.

Our objectives were to determine whether

- the department’s June 30, 2000, and June 30, 1999, responsibility letters and December 31, 1999, internal accounting and administrative control report were filed in compliance with Section 9-18-104, *Tennessee Code Annotated*;
- documentation to support the department’s evaluation of its internal accounting and administrative control was properly maintained;
- procedures used in compiling information for the internal accounting and administrative control report were in accordance with the guidelines prescribed under Section 9-18-103, *Tennessee Code Annotated*; and

- corrective actions have been implemented for weaknesses identified in the report.

We interviewed key employees responsible for compiling information for the internal accounting and administrative control report to gain an understanding of the department's procedures. We also reviewed the supporting documentation for these procedures. We reviewed the June 30, 2000, and June 30, 1999, responsibility letters and the December 31, 1999, internal accounting and administrative control report submitted to the Comptroller of the Treasury and to the Department of Finance and Administration to determine adherence to submission deadlines. To determine if corrective action plans had been implemented, we interviewed management and reviewed supporting documentation when necessary.

We determined that the Financial Integrity Act responsibility letters and internal accounting and administrative control report were submitted on time, support for the internal accounting and administrative control report was properly maintained, and procedures used were in compliance with *Tennessee Code Annotated*.

DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 20, “RECORDING OF FEDERAL GRANT EXPENDITURES AND REVENUES”

Department of Finance and Administration Policy 20 requires that state departments whose financial records are maintained on the State of Tennessee Accounting and Reporting System (STARS) fully utilize the STARS grant module to record the receipt and expenditure of all federal funds. Our objectives were to determine whether

- appropriate grant information was entered into the STARS Grant Control Table upon notification of the grant award, and related revenue and expenditure transactions were coded with the proper grant codes;
- appropriate payroll costs were reallocated to federal programs within 30 days of each month-end using an authorized redistribution method;
- the department made drawdowns at least weekly using the applicable STARS reports;
- the department negotiated an appropriate indirect cost recovery plan, and indirect costs were included in drawdowns; and
- the department utilized the appropriate STARS reports as bases for preparing the Schedules of Expenditures of Federal Awards and reports submitted to the federal government.

We interviewed key personnel to gain an understanding of the department's procedures and controls concerning Policy 20.

We found no significant weaknesses concerning Policy 20.

TITLE IX OF THE EDUCATION AMENDMENTS OF 1972

Title IX of the Education Amendments of 1972 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no one receiving benefits under a federally funded education program and activity is discriminated against on the basis of gender.

Section 4-4-123, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title IX of the Education Amendments of 1972 to submit an annual Title IX compliance report and implementation plan to the Department of Audit by June 30, 1999, and each June 30 thereafter. The Department of Mental Health and Developmental Disabilities did not file its compliance reports and implementation plans by June 30, 2000, and June 30, 1999, in violation of this statutory requirement. We determined that the department did not prepare a Title IX implementation plan, as discussed in finding 11.

11. The Department of Mental Health and Developmental Disabilities did not prepare a Title IX implementation plan

Finding

The department did not prepare a Title IX implementation plan as required by state law. Section 4-4-123, *Tennessee Code Annotated*, requires each state government entity subject to Title IX of the federal Education Amendments of 1972 to develop an annual Title IX implementation plan. Title IX prohibits discrimination on the basis of gender in federally funded education programs and activities.

Section 4-4-123, *Tennessee Code Annotated*, states:

Each entity of state government that is subject to the amendments of Title IX of the Education Amendments act of 1972, (20 USC 1681 et seq.), and regulations promulgated pursuant thereto, shall develop a Title IX implementation plan with participation by protected beneficiaries as may be required by such law or regulations. To the extent applicable, such plan shall include Title IX implementation plans of any subrecipients of federal funds through the state entity. Each such entity of state government shall submit annual Title IX compliance reports and implementation plan updates to the department of audit by June 30, 1999, and each June 30 thereafter.

Furthermore, 20 United States Code 1681, states, “No person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving Federal financial assistance.”

The absence of a Title IX implementation plan, annual compliance reviews, and plan updates could indicate inadequate attention is given to preventing discrimination on the basis of gender.

Recommendation

The Commissioner should ensure that staff develop a Title IX implementation plan as prescribed by state law. Thereafter, the department should submit annual Title IX compliance reports and plan updates.

Management's Comment

We concur. A Title IX implementation plan will be developed and annual compliance reviews and plan updates will be submitted as required.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. The Department of Mental Health and Developmental Disabilities filed its compliance reports and implementation plans on June 30, 2000, and June 30, 1999.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

On October 15, 1998, the commissioner of Finance and Administration notified all cabinet officers and agency heads that the Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

DIVISIONS AND ALLOTMENT CODES

Department of Mental Health and Developmental Disabilities divisions and allotment codes:

339.01	Administration
339.05	Mental Health Administration
339.08	Community Mental Health Services
339.09	Non-TennCare Mental Health Services
339.10	Lakeshore Mental Health Institute
339.11	Middle Tennessee Mental Health Institute
339.12	Western Mental Health Institute
339.16	Moccasin Bend Mental Health Institute
339.17	Memphis Mental Health Institute
339.21	Mental Retardation Administration
339.22	Development/Disabilities Services
339.23	Community Retardation Services
339.40	Major Maintenance